

**REPORT OF THE AUDIT OF THE
FAYETTE COUNTY
SHERIFF**

**For The Year Ended
December 31, 2006**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE FAYETTE COUNTY SHERIFF

**For The Year Ended
December 31, 2006**

The Auditor of Public Accounts has completed the Fayette County Sheriff's audit for the year ended December 31, 2006. Based upon the audit work performed, the financial statements present fairly, in all material respects, the revenues, and expenditures of the Sheriff and the revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

Financial Condition:

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Fayette County Sheriff had total revenues of \$6,747,705, which was an \$112,971 increase from the prior year. Except for reimbursed expenses, the Sheriff paid 25% of revenues to the Lexington-Fayette Urban County Government in the amount of \$923,419. This was an increase of \$25,653 from the prior year. In addition, operating expenditures increased by \$2,314,346.

Debt Obligations:

The Fayette County Sheriff is committed to two lease agreements for the leasing of hardware and software. The hardware agreement requires a monthly payment of \$600 for 36 months and will be completed on October 31, 2008. The agreement was amended for additional hardware at a cost of \$150, in October 2005. The remaining balance as of December 31, 2006 is \$15,750. The software lease requires a monthly payment of \$600 for 12 months and will be completed on October 1, 2007. The remaining balance as of December 31, 2006 was \$5400.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jim Newberry, Mayor, Lexington-Fayette Urban County Government
Honorable Kathy H. Witt, Fayette County Sheriff
Members of the Lexington-Fayette Urban County Government Council

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the Sheriff of Fayette County, Kentucky, and the statement of revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2006. These financial statements are the responsibility of the Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the revenues and expenditures of the Sheriff and the revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2006 in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 16, 2007, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Jim Newberry, Mayor, Lexington-Fayette Urban County Government
Honorable Kathy H. Witt, Fayette County Sheriff
Members of the Lexington-Fayette Urban County Government Council

This report is intended solely for the information and use of the Sheriff, the Lexington-Fayette Urban County Government Council, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

October 16, 2007

FAYETTE COUNTY
KATHY H. WITT, SHERIFF
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2006

Revenues

Federal Grants		\$	112,201
State Grants			141,594
State Fees for Services			502,570
Circuit Court Clerk			343,020
Fiscal Court			21,354
County Clerk			7,486
Commission on Taxes			4,247,370
Fees Collected for Services:			
Auto Inspections	\$	118,055	
Serving Papers		127,794	
Executions		50	
Carrying Concealed Deadly Weapon Permits		48,505	
Sheriff's Advertising Fees		12,730	307,134
Other Revenues:			
Add-On Fees		728,789	
NSF Fee		52	
CCDW Photo		3,840	
Bonds Performance		3,613	
Imprest Cash Account		2,644	
HB 258 Account		89	
Sheriff's Sale Account		10	
Griffity Fund		1,580	
Miscellaneous		64,711	
Interest Earned		259,648	1,064,976
Total Revenues			6,747,705

The accompanying notes are an integral part of the financial statements.

FAYETTE COUNTY
 KATHY H. WITT, SHERIFF
 STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS
 For The Year Ended December 31, 2006
 (Continued)

Expenditures

Payments to State:

Carrying Concealed Deadly Weapon Permits	\$ 26,005	
Jury Meals	<u>4,668</u>	

Total Expenditures		<u>\$ 30,673</u>
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Net Revenues		6,717,032
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Payments to State Treasurer:

75% Operating Fund	5,793,613	
25% County Fund	<u>923,419</u>	<u>6,717,032</u>

Balance Due at Completion of Audit		<u><u>\$ 0</u></u>
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The accompanying notes are an integral part of the financial statements.

FAYETTE COUNTY
KATHY H. WITT, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND
FUND BALANCES OF THE SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2006

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2006	\$ 1,400,014	\$	\$ 1,400,014
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	5,793,613		5,793,613
Fees Paid to State - County Funds (25%)		923,419	923,419
Total Funds Available	7,193,627	923,419	8,117,046
<u>Expenditures</u>			
Payments To Lexington Fayette Urban County Government	258,245	923,419	1,181,664
Personnel Services-			
Official's Statutory Maximum	94,106		94,106
Official's Training Incentive	3,302		3,302
Deputies' Salaries	2,693,132		2,693,132
Overtime Gross	145,387		145,387
Other	120,117		120,117
Employee Benefits-			
Employer's Share Social Security	207,759		207,759
Employer's Share Retirement	566,671		566,671
Employer's Paid Health Insurance	311,504		311,504
Other Payroll Disbursements-			
Workers Compensation	79,260		79,260
Life Insurance	7,739		7,739
Unemployment Insurance	4,003		4,003
Dental Insurance	29,944		29,944
Auto Expense-			
Gasoline	90,031		90,031
Maintenance and Repairs	45,805		45,805
Vehicle Equipment	54,145		54,145
Vehicle Maintenance and Repair	73,360		73,360
Contracted Services-			
Consulting	31,593		31,593

The accompanying notes are an integral part of the financial statements.

FAYETTE COUNTY
KATHY H. WITT, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND
FUND BALANCES OF THE SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
For The Year Ended December 31, 2006
(Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Expenditures</u> (Continued)			
Materials and Supplies-			
Office Supplies	\$ 124,034	\$	\$ 124,034
Other Charges-			
Ammunition	9,533		9,533
Computer	8,082		8,082
Insurance - Property & Casualty	418,139		418,139
Insurance Reimbursement	354		354
Equipment Maintenance & Repairs	1,071		1,071
Dues and Subscriptions	4,080		4,080
Postage	58,396		58,396
Radio Equipment	4,117		4,117
Radio Tower	9,000		9,000
Training	4,303		4,303
Recruiting	543		543
Telephone and Pager	40,311		40,311
Uniforms	171,204		171,204
Miscellaneous	14,773		14,773
Rent	12,249		12,249
Utilities	4,052		4,052
Auditing Services	16,802		16,802
Parking	28,340		28,340
Travel	13,807		13,807
Security	9,716		9,716
VAWA Service Contract	4,228		4,228
Victims of Crime Act	15,384		15,384
Waste Management	584		584
Capital Outlay:			
Office Equipment	192,005		192,005
Vehicles & Vehicle Equipment	460,395		460,395
Reference Guide	3,523		3,523
Communication Equipment	268,165		268,165
Radio Equipment	231,999		231,999
Mobile Communication Equipment	200,286		200,286
Law Enforcement Equipment	48,049		48,049
Total Expenditures	7,193,627	923,419	8,117,046
Fund Balance - December 31, 2006	\$ 0	\$ 0	\$ 0

The accompanying notes are an integral part of the financial statements.

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the Sheriff as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31:

- Interest receivable
- Collection on accounts due from others for 2006 services
- Reimbursements for 2006 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2006
- Payroll expenditures incurred but not paid

The Attorney General issued a letter, which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 10.98 percent for the first six months and 13.19 percent for the last six months of the year. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 25.01 percent for the first six months and 28.21 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006
(Continued)

Note 4. Leases

- A. The Office of the Sheriff was committed to a lease agreement with Custom Solutions Inc. for the leasing of hardware. The agreement requires a monthly payment of \$600 for 36 months to be completed on October 1, 2008. The agreement was amended in October 2005 to add additional hardware at an additional cost of \$150 a month. The total remaining balance of the agreement was \$15,750 as of December 31, 2006.
- B. The Office of the Sheriff was committed to a lease agreement with Custom Solutions Inc for the leasing of software. The agreement requires a monthly payment of \$600 for 12 months to be completed on October 1, 2007. The total remaining balance of the agreement was \$5,400 as of December 31, 2006.

Note 5. Rental Agreements

The Sheriff is committed to the following rental agreements as of December 31, 2006:

- A. A verbal agreement with The Gibson Company for real property at 340 and 346 South Broadway Park, Lexington, KY. The agreement requires a monthly payment of \$935.
- B. The Sheriff also leases a radio tower from Lexington Call Mobile, Inc. This agreement requires a yearly payment of \$9,000.

Note 6. Return Of Fugitive Account

The Sheriff maintains a separate bank account for expenses incurred during the return of fugitives. The Sheriff's office incurs expenses for these trips and requests reimbursement from the state. The reimbursements are then deposited into the bank account at which time the expenses are paid. The beginning balance was \$5,368. There were receipts of \$70,873 and disbursements of \$76,241 leaving a balance of \$0, as of December 31, 2006.

Note 7. Asset Forfeiture Account

The Sheriff maintains a separate bank account for monies that are seized and forfeited to the Sheriff's office by court order. During 2006, the Sheriff received \$810 in forfeiture monies and expended \$81 per the court order to the Commonwealth Attorney's office. The remaining \$729 was transferred to the 2007 Forfeiture account and will be used for direct law enforcement purposes as per the court order.

Note 8. Federal Grants

A. Domestic Violence & Sexual Assault Community Outreach Program Grants

The Fayette County Sheriff's office was awarded Domestic Violence & Sexual Assault Community Outreach Program Grants for the periods October 1, 2005 through September 30, 2006 and October 1, 2006 through September 30, 2007. During 2006, grant funds in the amount of \$48,766 were received.

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006
(Continued)

Note 8. Federal Grants (Continued)

B. Zero Tolerance Deputies and DVO Monitoring Coordinator Grant

The Fayette County Sheriff's office was awarded a Zero Tolerance Deputies and DVO Monitoring Coordinator Grant in 2006. During 2006, grant funds in the amount of \$63,435 were received.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jim Newberry, Mayor, Lexington-Fayette Urban County Government
Honorable Kathy H. Witt, Fayette County Sheriff
Members of the Lexington-Fayette Urban County Government Council

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements - regulatory basis of the Fayette County Sheriff for the year ended December 31, 2006, and have issued our report thereon dated October 16, 2007. The Sheriff's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fayette County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fayette County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Fayette County Sheriff's financial statement for the year ended December 31, 2006, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Lexington-Fayette Urban County Government Council, and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

October 16, 2007

